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RUEHAK/AMEMBASSY ANKARA PRIORITY 3498
RUEHBJ/AMEMBASSY BEIJING PRIORITY 1316
RUEHKL/AMEMBASSY KUALA LUMPUR PRIORITY 0070
RUEHUL/AMEMBASSY SEOUL PRIORITY 0029
RUEHKO/AMEMBASSY TOKYO PRIORITY 1183
RUEHIT/AMCONSUL ISTANBUL PRIORITY 1752
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RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

C O N F I D E N T I A L ASHGABAT 000333

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STATE FOR SCA/CEN, EEB
PLEASE PASS TO USTDA DAN STEIN
ENERGY FOR EKIMOFF/THOMPSON
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E.O. 12958: DECL: 03/12/2018

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SUBJECT: TURKMENISTAN: BHP BILLITON CONSIDERS ENTERING
OIL AND GAS SECTOR, BUT NEEDS MORE HOMEWORK

Classified By: CDA Richard E. Hoagland: 1.4(B), (D).

¶1. (C) BHP Billiton Petroleum, a Houston-based petroleum company that identifies itself as one of the largest producers in the Gulf of Mexico, is looking at bidding on one of Turkmenistan's Caspian Sea blocks, according to Commercial Director Larry Killion during a March 7 meeting with the Charge. The company, which currently works in Australia, Malaysia, the North Sea, Pakistan, and Algeria, has earmarked about \$750 million for petroleum exploration, and is seeking to identify new opportunities that would allow it to increase its production to 170 million barrels per day. It sees in Turkmenistan a location offering both potential resources and potential accessibility.

¶2. (C) BHP Billiton is looking at the offshore blocks in the Caspian because its expertise is in deep-water oil production. It has identified possibly productive fields in blocks 4-5, blocks 21-22, block III (the Serdar field), and block 18. Although it understands that most of these blocks are already "taken" or being bid for by other companies, BHP Billiton is still exploring possibilities for working these fields jointly with other companies. (NOTE: ConocoPhillips/Lukoil is seeking PSAs for blocks 19, 20 and 21, Buried Hill reportedly has an agreement to work block III, and Rosneft reportedly is interested in block 18. END NOTE.) Although Killion came to Turkmenistan prepared to explore the possibilities of signing a technical evaluation agreement, he had second thoughts when he heard that Turkmenistan requires companies to sign production sharing agreements (PSAs) before it will allow technical evaluation to take place. BHP Billiton is now reconsidering its options.

¶3. (C) COMMENT: For all the Chevrans and ConocoPhillips that are seeking to enter Turkmenistan's production sector,

there remain those who, like BHP Billiton, seem unprepared to use their visits to maximum effect. As Killion noted, his company is starting the process late, and is at a disadvantage in getting an agreement on any of the "preferred" Caspian Sea blocks, unless Turkmenistan decides to abandon any of its on-going PSA negotiations. Post is using Department of Commerce BFIF funds to send an officer to meet with interested representatives of U.S. companies attending the Atyrau (Kazakhstan) Oil and Gas Conference in hopes of helping these companies better target their trips.

END COMMENT.
HOAGLAND